

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Resource Recovery and Recycling Authority of Southwest Oakland County</u>	County Oakland
Audit Date June 30, 2005	Opinion Date July 22, 2005	Date Accountant Report Submitted To State: September 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48037
Accountant Signature 			

**Resource Recovery and  
Recycling Authority of  
Southwest Oakland County**

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**Financial Report  
with Supplemental Information  
June 30, 2005**

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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## Independent Auditor's Report

To the Board of Trustees  
Resource Recovery and Recycling Authority  
of Southwest Oakland County

We have audited the accompanying basic financial statements of the Resource Recovery and Recycling Authority of Southwest Oakland County as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Resource Recovery and Recycling Authority of Southwest Oakland County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Resource Recovery and Recycling Authority of Southwest Oakland County as of June 30, 2005 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

July 22, 2005



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# Resource Recovery and Recycling Authority of Southwest Oakland County

## Management's Discussion and Analysis

Our discussion and analysis of the Resource Recovery and Recycling Authority of Southwest Oakland County's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Authority's financial statements.

### Using this Annual Report

This annual report presents the financial position and the results of operations for each of the Authority's funds, as well as for the Authority as a whole. The individual funds are presented on the modified accrual basis of accounting, which is a short-term view that tells us how resources were spent during the year, as well as how much is available for future spending. This information is then aggregated and adjusted to the full accrual basis to present a longer-term view of the Authority as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities have funded the full cost of providing waste management services.

### The Authority as a Whole

The following table shows, in a condensed format, the net assets on a full accrual basis compared to the prior year:

TABLE I

	June 30			Current Year Change	
	2003	2004	2005	Amount	Percent
<b>Assets</b>					
Current assets	\$ 309,495	\$ 366,200	\$ 421,116	\$ 54,916	14.9
Noncurrent assets	1,757,659	1,720,861	1,686,307	(34,554)	(2.0)
Total assets	2,067,154	2,087,061	2,107,423	20,362	0.96
<b>Liabilities</b>					
Current liabilities	55,588	58,807	32,432	(26,375)	(50.6)
Noncurrent liabilities	5,808	7,557	21,657	14,100	186.6
Total liabilities	61,396	66,364	54,089	(12,275)	(23.6)
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	1,757,659	1,720,861	1,686,307	(34,554)	(2.0)
Unrestricted	248,099	299,836	367,027	67,191	22.4
Total net assets	<u>\$2,005,758</u>	<u>\$2,020,697</u>	<u>\$2,053,334</u>	<u>\$ 32,637</u>	1.8

The Authority's combined net assets increased 1.8 percent from a year ago, increasing from \$2,020,697 to \$2,053,334.

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Management's Discussion and Analysis (Continued)

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by \$67,191 for the governmental activities. This represents an increase of approximately 22.4 percent. The current level of unrestricted net assets for our governmental activities stands at \$367,027, or about 77 percent of expenditures.

The following table shows the changes of the net assets during the current year as compared to the prior year:

TABLE 2

	Year Ended June 30			Current Year Change	
	2003	2004	2005	Amount	Percent
<b>Revenue</b>					
Contributions from members	\$ 305,045	\$ 306,695	\$ 306,695	\$ -	-
MRF revenue-sharing	68,605	106,060	133,930	27,870	26.3
Host fees	28,130	29,963	29,215	(748)	(2.5)
Drop-off income	25,349	25,551	30,345	4,794	18.8
Interest income	3,585	2,305	7,897	5,592	242.6
Grant revenue	-	916	-	(916)	(100.0)
Other	2,899	549	3,137	2,588	471.4
Total revenue	433,613	472,039	511,219	39,180	8.3
<b>Expenses</b>					
Salaries and benefits	213,848	235,426	234,549	(877)	(0.4)
Professional services	54,553	56,875	80,339	23,464	41.3
Other operating expenses	85,962	85,698	85,845	147	0.2
Drop-off expense	43,391	42,303	40,490	(1,813)	(4.3)
Depreciation	37,580	36,798	37,359	561	1.5
Total expenses	435,334	457,100	478,582	21,482	4.7
<b>Change in Net Assets</b>	<b>\$ (1,721)</b>	<b>\$ 14,939</b>	<b>\$ 32,637</b>	<b>\$ 17,698</b>	N/A

The MRF revenue sharing achieved strong revenue results as a result of a relatively significant and sustained increase in the index value for various commodities. The index values tend to fluctuate significantly as a result of market forces, and, in general, cannot be depended upon for future revenue levels. The Authority was able to achieve excellent results in keeping its costs down; the only significant increase was professional services, which was a planned increase for strategic planning purposes.

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

## **Management's Discussion and Analysis (Continued)**

### **The Authority's Funds**

The individual fund columns provide detail information about each fund, presented on both a modified accrual and full accrual basis of accounting. The Authority creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's funds include the General Administrative Fund, the Billing Fund, and the Materials Recovery Facility Fund.

### **Budgetary Highlights**

Over the course of the year, the Authority amended the budget to take into account events during the year. Material changes involved amending anticipated revenue associated with MRF revenue sharing. This was a result of a relatively significant and sustained increase in the index value for various commodities. Overall, Authority revenue exceeded anticipated amounts by \$37,399.

Authority departments overall stayed below budget, resulting in total expenditures for all three funds being \$32,602 below budget.

### **Capital Asset Administration**

At the end of 2005, the Authority had \$1,686,307 invested in a range of capital assets (net of depreciation), including machinery and equipment and office furnishings and fixtures. Of this amount, \$1,550,000 relates to land originally purchased by Waste Management, Inc. during the year ended June 30, 1994. The land has been deeded to the Authority and the Authority works with the Materials Recovery Facility (MRF) operator (Recycle America Alliance, LLC) to set rates charged by the operator to residents of member communities such that the costs incurred by the operator to purchase the land and approximately 20 percent of its costs to purchase the MRF will be recovered over a 15-year period.

### **Economic Factors and Next Year's Budgets and Rates**

Industry experts indicate that current economic factors support recycling markets and predict that commodity values will remain at or near current levels during the near term. Additionally, the Authority has taken steps to contain and/or reduce costs in various areas. As a result, revenues and expenses are expected to sustain existing operations without any change in current membership rates.

### **Contacting the Authority's Management**

This financial report is intended to provide our member communities with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives from the member communities. If you have questions about this report or need additional information, we welcome you to contact the Authority's office.

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Statement of Net Assets and Governmental Funds Balance Sheet June 30, 2005

	General Administrative	Billing	Materials Recovery Facility	Balance Sheet - Modified Accrual	Accrual Adjustments	Statement of Net Assets - Full Accrual
<b>Assets</b>						
Cash and cash equivalents (Note 3)	\$ 132,820	\$ 2,780	\$ 238,718	\$ 374,318	\$ -	\$ 374,318
Accounts receivable	-	-	41,586	41,586	-	41,586
Prepaid expenses	5,212	-	-	5,212	-	5,212
Total current assets	138,032	2,780	280,304	421,116	-	421,116
Nondepreciable capital assets (Note 4)	-	-	-	-	1,550,000	1,550,000
Depreciable capital assets - Net (Note 4)	-	-	-	-	136,307	136,307
Total assets	<u>\$ 138,032</u>	<u>\$ 2,780</u>	<u>\$ 280,304</u>	<u>\$ 421,116</u>	1,686,307	2,107,423
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 14,987	\$ -	\$ -	\$ 14,987	-	14,987
Due to other governmental units	-	1,148	-	1,148	-	1,148
Salaries payable	1,948	-	-	1,948	-	1,948
Compensated absences:						
Due within one year	-	-	-	-	14,349	14,349
Due in more than one year	-	-	-	-	21,657	21,657
Total liabilities	16,935	1,148	-	18,083	36,006	54,089
<b>Fund Balance</b>	<u>121,097</u>	<u>1,632</u>	<u>280,304</u>	<u>403,033</u>	(403,033)	-
Total liabilities and fund balance	<u>\$ 138,032</u>	<u>\$ 2,780</u>	<u>\$ 280,304</u>	<u>\$ 421,116</u>		
<b>Net Assets</b>						
Invested in capital assets - Net of related debt					1,686,307	1,686,307
Unrestricted					<u>367,027</u>	<u>367,027</u>
Total net assets					<u>\$ 2,053,334</u>	<u>\$ 2,053,334</u>



# Resource Recovery and Recycling Authority of Southwest Oakland County

## Statement of Activities and Governmental Funds Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2005

	General Administrative	Billing	Materials Recovery Facility	Total Modified Accrual	Accrual Adjustments	Full Accrual
<b>Operating Revenue</b>						
Contributions from members	\$ 220,379	\$ 11,000	\$ 75,316	\$ 306,695	\$ -	\$ 306,695
MRF revenue-sharing	-	-	133,930	133,930	-	133,930
Host fees	-	-	29,215	29,215	-	29,215
Drop-off income	30,345	-	-	30,345	-	30,345
Interest income	3,558	84	4,255	7,897	-	7,897
Other	3,137	-	-	3,137	-	3,137
Total operating revenue	257,419	11,084	242,716	511,219	-	511,219
<b>Operating Expenses</b>						
Salaries and benefits	144,790	8,555	68,001	221,346	13,203	234,549
Professional services	8,266	-	72,073	80,339	-	80,339
Supplies	4,612	499	-	5,111	-	5,111
Printing and publishing	11,345	-	-	11,345	-	11,345
Postage and mailing	14,118	1,219	-	15,337	-	15,337
Utilities	4,701	300	1,110	6,111	-	6,111
Training and travel	7,351	100	918	8,369	-	8,369
Other operating expenses	20,298	200	21,879	42,377	(2,805)	39,572
Drop-off expenses	40,490	-	-	40,490	-	40,490
Depreciation	-	-	-	-	37,359	37,359
Total operating expenses	255,971	10,873	163,981	430,825	47,757	478,582
<b>Surplus (Shortfall)</b>	1,448	211	78,735	80,394	(47,757)	32,637
<b>Fund Balance/Net Assets -</b> July 1, 2004	119,649	1,421	201,569	322,639	1,698,058	2,020,697
<b>Fund Balance/Net Assets -</b> June 30, 2005	<u>\$ 121,097</u>	<u>\$ 1,632</u>	<u>\$ 280,304</u>	<u>\$ 403,033</u>	<u>\$ 1,650,301</u>	<u>\$ 2,053,334</u>

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

**Notes to Financial Statements  
June 30, 2005**

## **Note I - Summary of Significant Accounting Policies**

The Resource Recovery and Recycling Authority of Southwest Oakland County (the "Authority") is a municipal authority and body corporate, incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom and the Charter Township of Lyon and was created pursuant to Act 179, Michigan Public Acts of 1947, as amended. Currently, the Authority is engaged in assisting the communities in the coordination of their solid waste management activities. Its ultimate purpose is the collection and disposal of rubbish and acquisition and operation of a waste management system.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Resource Recovery and Recycling Authority of Southwest Oakland County:

### **Modified Accrual and Full Accrual Data**

The Authority has three funds, which are used to demonstrate accountability by separately reporting the use of resources from the Authority's three main sources. The Authority reports the following funds:

- a. The General Administrative Fund, which is the Authority's primary operating fund. It accounts for all financial resources that are not otherwise accounted for in another fund;
- b. The Billing Fund, which provides billing services to certain members' residents; and
- c. The Materials Recovery Facility Fund, which reports the operation of the materials recovery facility.

The individual funds are budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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## **Notes to Financial Statements June 30, 2005**

### **Note I - Summary of Significant Accounting Policies (Continued)**

In addition to presenting information for individual funds, the statements combine all fund activity and present information for the Authority as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both modified accrual and full accrual columns.

**Capital Assets** - Capital assets, which include land for the MRF site, machinery and equipment, and office furniture and fixtures, are reported in the full accrual column. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# Resource Recovery and Recycling Authority of Southwest Oakland County

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## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Land (MRF site)	Not depreciated
Machinery and equipment	15 years
Office furniture and fixtures	5-10 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay any amounts when employees separate from service with the Authority. All vacation pay is accrued when incurred in the full accrual columns. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds. All annual appropriations lapse at fiscal year end. The budget is prepared by the general manager and approved by the board of trustees. The budget document presents information by fund and line items. The legal level of budgetary control adopted by the governing body is the line item level (i.e., the level at which expenditures may not legally exceed appropriations). Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The Authority did not have significant expenditure budget variances.

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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## **Notes to Financial Statements June 30, 2005**

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Resource Recovery and Recycling Authority of Southwest Oakland County's deposits and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Authority had \$39,582 in bank deposits that was fully covered by federal depository insurance. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable risk level are used as depositories.

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Notes to Financial Statements June 30, 2005

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. In accordance with its investment policy, the Authority manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to a range of 90 days to three years. The Authority's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the Authority held \$367,351 in a bank investment pool with an average maturity of 30 days.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the Authority held an investment in a bank investment pool that had a credit rating of AAAM, as rated by Standard & Poors.

### Note 4 - Capital Assets

Capital asset activity was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets not being depreciated -				
Land (MRF site)	\$ 1,550,000	\$ -	\$ -	\$ 1,550,000
Capital assets being depreciated:				
Machinery and equipment	500,000		-	500,000
Office furnishings and fixtures	117,567	2,805	70,088	50,284
Subtotal	617,567	2,805	70,088	550,284
Accumulated depreciation:				
Machinery and equipment	333,333	33,333	-	366,666
Office furnishings and fixtures	113,373	4,026	70,088	47,311
Subtotal	446,706	37,359	70,088	413,977
Net capital assets being depreciated	170,861	(34,554)	-	136,307
Net capital assets	\$ 1,720,861	\$ (34,554)	\$ -	\$ 1,686,307

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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**Notes to Financial Statements  
June 30, 2005**

## **Note 4 - Capital Assets (Continued)**

The \$1,550,000 of land was originally purchased by Waste Management, Inc. during the year ended June 30, 1994. The land has been deeded to the Authority, and the Authority has agreed to lease the land to Recycle America Alliance, LLC at \$1 per year for a 15-year period while they operate the MRF on the site. Rates charged to member communities using the MRF have been set so that Recycle America Alliance, LLC will recover its cost of purchasing the land over a 15-year period.

A \$500,000 grant from the State of Michigan was used to purchase machinery to equip the MRF. The accumulated depreciation on this equipment as of June 30, 2005 amounted to \$366,666.

Upon termination of the lease in 2008, the title to the MRF will be transferred to the Authority. The Authority will record the facility at its fair value, if any, at the time of transfer (the original cost of the facility is \$5,600,000, of which \$1,125,100 is being funded by charges to member communities).

The Authority works with the MRF operator (Recycle America Alliance, LLC) to set the rates charged by the operator to residents of member communities such that the costs incurred by the operator to purchase the land and approximately 20 percent of its costs to purchase the MRF will be recovered over a 15-year period.

## **Note 5 - Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for medical benefits, workers' compensation, and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **Required Supplemental Information**

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# Resource Recovery and Recycling Authority of Southwest Oakland County

## Budgetary Comparison Schedule - General Administrative Fund Year Ended June 30, 2005

	Current Year				Over (Under)
	Prior Year	Original	Amended		Amended
	Actual	Budget	Budget	Actual	Budget
<b>Revenue</b>					
Member contributions	\$ 220,379	\$ 220,379	\$ 220,379	\$ 220,379	\$ -
Interest income	1,126	1,200	2,000	3,558	1,558
Drop-off income	25,551	22,000	24,000	30,345	6,345
Miscellaneous income	1,465	8,250	8,250	3,137	(5,113)
Total revenue	248,521	251,829	254,629	257,419	2,790
<b>Expenditures</b>					
Supervisory salaries	46,710	48,578	48,579	48,578	(1)
Permanent salaries	53,960	49,592	49,898	49,863	(35)
Overtime	2,697	2,874	2,877	2,877	-
FICA	8,521	8,562	8,810	8,065	(745)
Medical and dental insurance	26,854	30,696	24,025	23,604	(421)
Unemployment insurance	166	126	198	151	(47)
Workers' compensation	1,027	1,062	1,128	1,128	-
ICMA contribution	10,497	10,880	10,938	10,524	(414)
Operating supplies	592	1,000	1,000	815	(185)
Office supplies	3,959	4,000	4,000	3,797	(203)
Postage and mailing	16,665	15,070	14,200	14,118	(82)
Magazines and periodicals	967	1,025	1,025	997	(28)
Books	150	150	320	317	(3)
Audit	4,900	5,000	5,000	5,000	-
Consulting services - Engineers	-	750	750	466	(284)
Consulting services - Legal	-	1,500	1,500	-	(1,500)
Consulting services - Accounting	870	500	500	500	-
Membership dues	1,640	1,725	1,725	1,640	(85)
Contractual services	3,780	5,325	4,415	2,300	(2,115)
Contractual services - Drop-off expense	42,303	43,850	42,850	40,490	(2,360)
Telephone	4,700	4,700	4,707	4,701	(6)
Vehicle allowance	3,600	3,600	3,600	3,600	-
Community relations	3,258	3,730	3,700	3,111	(589)
Printing and publishing	10,670	11,025	11,765	11,345	(420)
Building and liability insurance	1,002	1,100	1,100	1,046	(54)
Equipment maintenance	1,687	2,000	2,600	2,195	(405)
Building and grounds maintenance	810	1,000	2,150	2,150	-
Office equipment rental	3,000	3,025	3,550	3,142	(408)
Conferences and workshops	1,330	3,100	3,100	2,389	(711)
Expenses and mileage	3,000	3,000	3,000	2,932	(68)
Education and training	2,000	6,000	4,000	2,030	(1,970)
Office equipment	333	1,000	2,100	2,100	-
Contingency	-	6,218	480	-	(480)
Total expenditures	261,648	281,763	269,590	255,971	(13,619)

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Budgetary Comparison Schedule - General Administrative Fund (Continued) Year Ended June 30, 2005

	Current Year				
	Prior Year	Original	Amended	Over (Under)	
	Actual	Budget	Budget	Actual	Amended Budget
<b>Excess of Revenue Over (Under) Expenditures</b>	\$ (13,127)	<u>\$ (29,934)</u>	<u>\$ (14,961)</u>	\$ 1,448	<u>\$ 16,409</u>
<b>Fund Balance - Beginning of year</b>	<u>132,776</u>			<u>119,649</u>	
<b>Fund Balance - End of year</b>	<u>\$ 119,649</u>			<u>\$ 121,097</u>	

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Budgetary Comparison Schedule - Billing Fund Year Ended June 30, 2005

	Prior Year Actual	Current Year			Over (Under) Amended Budget
		Original Budget	Amended Budget	Actual	
<b>Revenue</b>					
Member contributions	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ -
Interest income	100	100	75	84	9
Total revenue	11,100	11,100	11,075	11,084	9
<b>Expenditures</b>					
Permanent salaries	5,593	5,807	5,807	5,806	(1)
FICA	449	466	470	470	-
Medical and dental insurance	2,200	2,528	2,051	1,970	(81)
Unemployment insurance	10	10	10	10	-
Workers' compensation	30	31	31	31	-
ICMA contribution	280	290	290	268	(22)
Office supplies	562	600	500	499	(1)
Postage and mailing	1,150	1,200	1,350	1,219	(131)
Telephone	255	450	300	300	-
Equipment maintenance	200	200	200	200	-
Expenses and mileage	95	100	100	100	-
Contingency	-	200	200	-	(200)
Total expenditures	10,824	11,882	11,309	10,873	(436)
<b>Excess of Revenue Over (Under)</b>					
Expenditures	276	\$ (782)	\$ (234)	211	\$ 445
<b>Fund Balance - Beginning of year</b>	1,145			1,421	
<b>Fund Balance - End of year</b>	<u>\$ 1,421</u>			<u>\$ 1,632</u>	

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Budgetary Comparison Schedule - Materials Recovery Facility Year Ended June 30, 2005

	Prior Year Actual	Current Year			Over (Under) Amended Budget
		Original Budget	Amended Budget	Actual	
<b>Revenue</b>					
Member contributions	\$ 75,316	\$ 75,316	\$ 75,316	\$ 75,316	\$ -
Interest income	1,079	1,200	2,500	4,255	1,755
Revenue sharing:					
RRRASOC	64,230	2,000	57,200	76,426	19,226
Non-RRRASOC	41,830	-	43,100	57,504	14,404
Host fees	29,963	30,000	30,000	29,215	(785)
Total revenue	212,418	108,516	208,116	242,716	34,600
<b>Expenditures</b>					
Supervisory salaries	31,140	32,386	32,386	32,386	-
Permanent salaries	17,533	15,448	15,579	15,564	(15)
FICA	4,179	4,147	4,159	3,938	(221)
Medical and dental insurance	11,809	13,689	9,738	9,530	(208)
Unemployment insurance	72	54	84	65	(19)
Workers' compensation	344	364	364	364	-
ICMA contribution	6,076	6,372	6,398	6,154	(244)
Operating supplies	170	400	400	-	(400)
Office supplies	820	900	900	-	(900)
Audit	2,100	1,900	1,950	1,950	-
Consulting services - Engineers	742	500	24,400	23,896	(504)
Consulting services - Legal	7,532	5,000	12,000	4,965	(7,035)
Consulting services - Accounting	-	200	4,200	4,130	(70)
Contractual services - Scales	36,951	38,060	38,060	37,132	(928)
Telephone	1,000	1,000	1,110	1,110	-
Equipment maintenance	-	3,700	3,700	237	(3,463)
Conferences and workshops	30	2,000	2,000	918	(1,082)
Host fee distribution	18,805	18,500	20,000	18,986	(1,014)
Expenses and mileage	56	600	600	-	(600)
Office equipment	-	500	3,500	2,656	(844)
Transfer and debt service	3,152	-	-	-	-
Contingency	40	4,813	1,000	-	(1,000)
Total expenditures	142,551	150,533	182,528	163,981	(18,547)
<b>Excess of Revenue Over (Under) Expenditures</b>	69,867	<b>\$ (42,017)</b>	<b>\$ 25,588</b>	78,735	<b>\$ 53,147</b>
<b>Fund Balance - Beginning of year</b>	131,702			201,569	
<b>Fund Balance - End of year</b>	<b>\$ 201,569</b>			<b>\$ 280,304</b>	